

Varnado Waterworks District
Washington Parish Council
Varnado, Louisiana

Annual Financial Statements

As of and for the Years Ended December 31, 2012 and 2011
With Supplemental Information Schedules

Minda B. Raybourn
Certified Public Accountant
Limited Liability Company

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 09 2013

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MEMBER
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INDEPENDENT AUDITOR'S REPORT

Washington Parish Council
Board of Commissioners
Varnado Waterworks District
Varnado, Louisiana

I have audited the accompanying financial statements of thee business-type activities, of Varnado Waterworks District, a component unit of the Washington Parish Government, as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Varnado Waterworks District as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-14 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

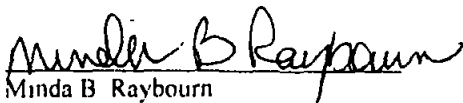
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Varnado Waterworks District's basic financial statements. The other supplementary information listed in the table of contents on pages 38-40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

As discussed in Note 1 to the financial statements, in 2012, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in 2012.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 27, 2013, on my consideration of the Varnado Waterworks District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Varnado Waterworks District's internal control over financial reporting and compliance.

Minda Raybourn



Minda B. Raybourn

Franklinton, LA
June 27, 2013

Management's Discussion and Analysis

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Introduction

The Varnado Waterworks District (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements in this report.

Financial Highlights

At December 31, 2012, total assets were \$6,618,601, and exceeded liabilities in the amount of \$2,868,834 (i.e., net position). Of the total net position, \$859,193 was unrestricted and available to support short-term operations, with a \$1,705,187 balance invested in capital assets, net of related debt and \$304,454 in restricted net position for capital assets and debt service.

For the year ended December 31, 2012, user fee revenues (water sales) increased to \$674,429 as compared to \$618,214 for the fiscal year ending December 31, 2011. Water rates were not changed during the year.

The District's operating expenses, other than depreciation and amortization expense, decreased by approximately 6.7 percent or \$37,426 from the prior fiscal year. Bad Debts increased by \$19,500, repairs and maintenance decreased by \$37,000 and Professional Fees by \$5,000.

Total long term debt decreased by principal payments of \$58,257. Interest payments of \$152,270 were made. Total long term debt was \$3,655,384 at December 31, 2012 and \$3,713,641 at December 31, 2011.

For the year ended December 31, 2012, the District adopted GASB 63 and GASB 65. GASB 63 changes the term net assets to net position. GASB 65 requires bond issuance cost, other than insurance costs to be expensed in the period incurred. The effect of this change created a reduction in net position of \$77,101. The comparative information for 2011 has been adjusted to reflect these changes.

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Overview of the Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of Varnado Waterworks District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Revenues, Expenses, and Changes in Net Position, accounts for the revenues and expenses for the fiscal year, and provides information on how net position changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides information on the source of cash receipts, what the cash was used for, and the total change in cash for the reporting period.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule and key information schedules on operation of the District.

Financial Analysis

The purpose of financial analysis is to help determine whether Varnado Waterworks District is better off as a result of the current year's activities. In this analysis, data from two of the basic financial statements, the Balance Sheet, and the Statement of Revenues, Expenses, and Changes in Net Position, is presented below in a condensed format. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

Varnado Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2012 and 2011**

**Condensed Balance Sheets
2012 and 2011**

	<u>2012</u>	<u>2011</u> (Restated)	<u>Dollar Change</u>	<u>Percentage Change</u>
Assets				
Current and Other Assets	\$ 1,250,698	\$ 1,152,327	\$ 98,371	9%
Capital Assets	<u>5,367,903</u>	<u>5,567,665</u>	<u>(199,762)</u>	-4%
Total Assets	<u>6,618,601</u>	<u>6,719,992</u>	<u>(101,391)</u>	-2%
Liabilities				
Long-Term Debt Outstanding	3,655,384	3,713,641	(58,257)	-2%
Other Liabilities	<u>94,383</u>	<u>85,684</u>	<u>8,699</u>	10%
Total Liabilities	<u>3,749,767</u>	<u>3,799,325</u>	<u>(49,558)</u>	-1%
Net Position				
Investment in Capital Assets	1,705,187	1,846,238	(141,051)	-8%
Restricted for Capital Activity and Debt Service	304,454	250,746	53,708	21%
Unrestricted	<u>859,193</u>	<u>823,683</u>	<u>35,510</u>	4%
Total Net Position	<u>\$ 2,868,834</u>	<u>\$ 2,920,667</u>	<u>\$ (51,833)</u>	-2%

The major component inside the change in "Current and Other Assets" is the increase in Cash and Cash Equivalents of approximately \$44,000 and in unrestricted cash held of approximately \$59,000. The majority of the reduction was in receivables of approximately \$5,500.

Capital Assets decreased by approximately four percent since the additions of \$38,098 were below current year depreciation of \$237,860.

Total Long Term Debt decreased \$58,257 due to principal payments.

Varnado Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2012 and 2011**

**Condensed Statements of Revenues, Expenses and Changes in Net Position
2012 and 2011**

	<u>Year ended December 31, 2012</u>	<u>Year ended December 31, 2011</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Revenues		(Restated)		
Operating Revenues	\$ 819,176	\$ 738,445	\$ 80,731	11%
Nonoperating Revenues	<u>42,104</u>	<u>26,235</u>	<u>15,869</u>	60%
Total Revenues	<u>861,280</u>	<u>764,680</u>	<u>96,600</u>	13%
Expenses				
Depreciation Expense	237,860	239,181	(1,321)	-0.6%
Other Operating Expense	522,983	560,409	(37,426)	-7%
Nonoperating Expense	<u>152,270</u>	<u>180,009</u>	<u>(27,739)</u>	-15%
Total Expenses	<u>913,113</u>	<u>979,599</u>	<u>(66,486)</u>	-7%
Changes in Net Position	<u>(51,833)</u>	<u>(214,919)</u>	<u>163,086</u>	-76%
Beginning Net Position Prior to Adjustments	2,868,564	3,100,916	(232,352)	-7%
Prior Period Adjustments	<u>(52,103)</u>	<u>(34,670)</u>	<u>(17,433)</u>	-50%
Adjusted Net Position, Beginning	<u>2,920,667</u>	<u>3,135,586</u>	<u>(214,919)</u>	-7%
Ending Net Position	\$ <u>2,868,834</u>	\$ <u>2,920,667</u>	\$ <u>(51,833)</u>	-2%

While the Balance Sheet shows the change in financial position of net position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers to the nature and scope of these changes. The above table gives an indication of how Varnado Waterworks District is being conservatively managed.

Total operating revenues (including water sales and revenues related to providing water and related services to customers) increased by eleven percent, with the largest increase coming from water sales generating approximately a \$56,000 net increase after the rate increase was in effect for the full year. Non-operating Revenues increased due to a \$26,500 insurance claim on a generator and a decrease in interest income of \$11,000.

Total operating expenses, other than depreciation and amortization expense, decreased by approximately seven percent or \$37,000 from the prior fiscal year. Bad Debts increased by \$19,500, repairs and maintenance decreased by \$37,000 and Professional Fees decreased by \$5,000. Non-operating expenses decreased by approximately fifteen percent from the reduction in interest expense paid as a result of the 2011 water revenue bond refunding.

The primary reason for the decrease of \$51,833 in net position was the prior period adjustment for reclassifying bond issuance cost as an expense, rather than amortizing it over the life of the bonds.

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Budgetary Highlights

Varnado Waterworks District adopts an annual operating budget in accordance with requirements of the United States Department of Agriculture, Rural Utilities Service. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 - Budgetary Comparison Schedule", as supplementary information, following the footnotes to the financial statements.

Budget vs. Actual - Fiscal Year ended December 31, 2012

	Budget Year ended December 31, 2012	Actual Year ended December 31, 2012	Favorable (Unfavorable) Variance
Revenues			
Operating Revenues	\$ 806,300	\$ 819,176	\$ 12,876
Nonoperating Revenues	34,600	42,104	7,504
Total Revenues	840,900	861,280	20,380
Expenses			
Depreciation Expense	238,300	237,860	440
Other Operating Expense	503,450	522,983	(19,533)
Nonoperating Expense	150,500	152,270	(1,770)
Total Expenses	892,250	913,113	(20,863)
Income (Loss) Before Contributions	(51,350)	(51,833)	(483)
Capital Contributions	-	-	-
Changes in Net Position	\$ (51,350)	\$ (51,833)	\$ (483)

Total revenues and expenses were within two percent of budgeted amounts for the year

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Other Significant Trends and Account Changes

Included within this section is first a listing and analysis of general trends and operating data affecting the operation of the District. This is followed by an analysis of any significant account changes, not included within other sections of the Management's Discussion and Analysis.

General Operating Data

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Increase (Decrease)</u>
Customers			
Residential	1,612	1,601	11
Commercial	18	18	-
Schools	5	5	-
Prison	1	1	-
Total Customers	<u>1,636</u>	<u>1,625</u>	<u>11</u>

One key measure of a water district's profitability, and the ability to generate positive cash flows, is the ability of the water system to collect accounts receivable on a timely basis. Presented below is an aged receivable listing for the fiscal years ending December 31, 2012 and 2011.

	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 53,980	\$ 56,215	\$ (2,235)
31-60 Days Past Due	10,782	19,142	(8,360)
61-90 Days Past Due	1,392	4,526	(3,134)
Over 90 Days Past Due	<u>1,513</u>	<u>3,520</u>	<u>(2,007)</u>
Subtotal	67,667	83,403	(15,736)
Allowance for Uncollectible Accounts	<u>(1,968)</u>	<u>(1,968)</u>	-
Net Accounts Receivable	<u>\$ 65,699</u>	<u>\$ 81,435</u>	<u>\$ (15,736)</u>

The above presentation is before consideration of accrued billings at fiscal year end.

Varnado Waterworks District

**Management's Discussion and Analysis
As of and for the Years Ended December 31, 2012 and 2011**

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year ending December 31, 2012, Varnado Waterworks District had \$5,367,903 (net of accumulated depreciation) recorded in capital assets. This includes the water systems and improvements, the office building and storage for the water system equipment, land, and other equipment used to operate the water system. The changes in capital assets are presented in the table below.

	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Capital Assets				
Land	\$ 105,512	\$ 105,512	\$ -	0%
Construction in Progress	56,040	56,040	-	0%
Buildings	148,154	148,154	-	0%
Equipment	219,211	181,113	38,098	21%
Vehicles	79,503	79,503	-	0%
Utility System	<u>8,421,213</u>	<u>8,421,213</u>	<u>-</u>	0%
Subtotal	9,029,633	8,991,535	38,098	0%
Less: Accumulated Depreciation	<u>(3,661,730)</u>	<u>(3,423,870)</u>	<u>237,860</u>	7%
Net Capital Assets	<u>\$ 5,367,903</u>	<u>\$ 5,567,665</u>	<u>\$ (199,762)</u>	-4%

The increase was for a lawn mower and trailer for \$7,949 and a 100kw generator for \$30,149.

Varnado Waterworks District

Management's Discussion and Analysis As of and for the Years Ended December 31, 2012 and 2011

Long-Term Offerings

The primary source of long-term financing for Varnado Waterworks District has been revenue bonds financed by the United States Department of Agriculture (USDA). During 2011, the District obtained financing of \$462,000 (Series 2011 Refunding Bonds) from a private lender, and with funds provided by the District, paid \$522,045 to refund the USDA 1988 Series Bonds. Interest rates for long-term debt financed through USDA is 4.125%, and is 4.0% for the Series 2011 Refunding Bonds.

Bonds financed for Varnado Waterworks District include a specific requirement to maintain "Net Revenues" at 120 percent of the level required to fund annual debt service requirements. As noted in the last paragraph of *Footnote 8 – Flow of Funds, Restrictions on Use*, the District did not meet the "Net Revenues" requirement. Total long-term debt for the current and prior fiscal year is as follows.

	December 31, 2012	December 31, 2011
Total Long-Term Debt	<u>\$ 3,655,384</u>	<u>\$ 3,713,641</u>

Future Economic Plans

The District continually evaluates the needs of its customers and considers projects that will improve the water supply and provide additional service to customers. The approach of the board is to maintain a rate structure that is reasonable but that provides for optimum operation of the District.

Requests for Information

The financial report is designed to provide an overview of Varnado Waterworks District's finances and demonstrate the District's accountability. If you have questions regarding this report or need additional information, contact the District at 26070 Highway 21, Angie, LA 70426. The phone number for the District is (985) 735-1669.

Financial Statements

Varnado Waterworks District
Balance Sheets
As of December 31, 2012 and 2011

Statement A

	<u>2012</u>	<u>2011</u> (Restated)
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 325,869	\$ 108,309
Investments	470,582	643,868
Receivables, Net		
Accounts	77,405	87,200
Intergovernmental	12,603	8,309
Prepaid Insurance	7,119	6,894
Total Current Assets	<u>893,578</u>	<u>854,580</u>
Restricted Assets		
Restricted Cash and Cash Equivalents	357,120	132,876
Restricted Investments	-	164,871
Total Restricted Assets	<u>357,120</u>	<u>297,747</u>
Property, Plant, and Equipment		
Land	105,512	105,512
Construction in Progress	56,040	56,040
Property, Plant and Equipment, Net	5,206,351	5,406,113
Total Property, Plant, and Equipment	<u>5,367,903</u>	<u>5,567,665</u>
Total Assets	<u>6,618,601</u>	<u>6,719,992</u>
Liabilities		
Current Liabilities (Payable From Current Assets)		
Accounts Payable	10,550	5,739
Other Accrued Payables	23,835	25,158
Total Current Liabilities (Payable From Current Assets)	<u>34,385</u>	<u>30,897</u>
Current Liabilities (Payable From Restricted Assets)		
Customer Deposits	52,666	47,001
Revenue Bonds Payable	79,378	60,507
Accrued Interest on Bonds Payable	7,332	7,786
Total Current Liabilities (Payable From Restricted Assets)	<u>139,376</u>	<u>115,294</u>
Long Term Liabilities		
Bonds Payable	3,576,006	3,653,134
Total Long Term Liabilities	<u>3,576,006</u>	<u>3,653,134</u>
Total Liabilities	<u>3,749,767</u>	<u>3,799,325</u>
Net Position		
Investment in Capital Assets	1,705,187	1,846,238
Restricted for		
Capital Projects and Debt Service	304,454	250,746
Unrestricted	859,193	823,683
Total Net Position	<u>\$ 2,868,834</u>	<u>\$ 2,920,667</u>

These accompanying notes are an integral part of the financial statements.

Statement B

Varnado Waterworks District
Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u> (Restated)
Operating Revenues		
Water Sales	\$ 674,429	\$ 618,214
Installations	9,300	7,500
Penalties	19,483	18,442
Billing Fees	108,652	88,456
Reconnect Fees	3,745	4,550
Other	3,567	1,283
Total Operating Revenues	<u>819,176</u>	<u>738,445</u>
Operating Expenses		
Bad Debts	19,549	-
Conventions & Seminars	1,348	2,961
Depreciation	237,860	239,181
Director's Fees	3,420	3,720
Employee Benefits	25,820	23,795
Insurance	41,711	38,247
Contract - Meter Specialist	17,614	18,372
Mowing	-	7,515
Office Expense	13,932	13,996
Other	2,677	7,300
Payroll Taxes	16,010	16,583
Permits	5,321	5,292
Professional Fees	21,480	26,369
Repairs and Maintenance	43,669	80,414
Salaries and Wages	203,215	202,733
Supplies - Maintenance	34,796	37,290
Telephone	3,706	3,812
Travel	1,393	1,410
Uniforms	4,570	4,658
Utilities	51,742	49,700
Vehicle Expenses		
Fuel	11,010	10,251
Truck	-	5,991
Total Operating Expenses	<u>760,843</u>	<u>799,590</u>
Operating Income (Loss)	<u>58,333</u>	<u>(61,145)</u>
Nonoperating Revenues (Expenses)		
Federal Emergency Management Agency Cost Reimb	5,833	-
Unrealized Gain (Loss) on Investments	(4,490)	1,134
Interest Income	14,188	25,101
Interest Expense	(152,270)	(160,359)
Bond Issuance Costs Incurred	-	(19,650)
Other Income	26,573	-
Total Nonoperating Revenues (Expenses)	<u>(110,166)</u>	<u>(153,774)</u>
Change in Net Position	<u>(51,833)</u>	<u>(214,919)</u>
Total Net Position Prior to Adjustments, Beginning	2,868,564	3,100,916
Prior Period Adjustments	(52,103)	(34,670)
Adjusted Net Position, Beginning	<u>2,920,667</u>	<u>3,135,586</u>
Total Net Position, Ending	<u>\$ 2,868,834</u>	<u>\$ 2,920,667</u>

These accompanying notes are an integral part of the financial statements.

Statement C

**Varnado Waterworks District
Statements of Cash Flows**

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u> (Restated)
Cash Flows From Operating Activities		
Received From Customers	\$ 716,752	\$ 637,308
Received for Customer Deposits and Connection Fees	5,665	4,580
Other Receipts	107,925	88,993
Payments for Operations	(274,675)	(316,386)
Payments to Employees	(245,045)	(243,111)
Net Cash Provided by Operating Activities	<u>310,622</u>	<u>171,384</u>
Cash Flows From Noncapital Financing Activities		
Other Receipts	<u>26,573</u>	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>26,573</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Federal Emergency Management Agency Reimbursements	5,833	-
(Payments for) Capital Acquisitions	(38,098)	(78,951)
(Payments for) Bond Issue Cost	-	(20,237)
Principal Proceeds from (Repayments for) Long Term Debt	(58,257)	(120,832)
Interest Payments for Long Term Debt	(152,724)	(154,988)
Net Cash (Used) by Capital and Related Financing Activities	<u>(243,246)</u>	<u>(375,008)</u>
Cash Flows From Investing Activities		
Receipt of Interest	14,188	25,101
Proceeds from sale (Payments) for Investments	<u>333,667</u>	<u>(412,462)</u>
Net Cash Provided by Investing Activities	<u>347,855</u>	<u>(387,361)</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	441,804	(590,985)
Cash and Cash Equivalents, Beginning of Year	<u>241,185</u>	<u>832,170</u>
Cash and Cash Equivalents, End of Year	<u>\$ 682,989</u>	<u>\$ 241,185</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and Cash Equivalents, Unrestricted	\$ 325,869	\$ 108,309
Cash and Cash Equivalents, Restricted	<u>357,120</u>	<u>132,876</u>
Total Cash and Cash Equivalents	<u>\$ 682,989</u>	<u>\$ 241,185</u>

(Continued)

These accompanying notes are an integral part of the financial statements

Statement C

**Varnado Waterworks District
Statements of Cash Flows**

For the years ended December 31, 2012 and 2011

	<u>12/31/12</u>	<u>12/31/11</u> (Restated)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)		
by Operating Activities		
Operating Income (Loss)	\$ 58,333	\$ (61,145)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
by Operating Activities		
Depreciation and Amortization	237,860	239,181
(Increase) decrease in Accounts Receivable	9,795	(11,398)
(Increase) decrease in Unbilled Receivable	-	-
(Increase) decrease in Due from Other Governments	(4,294)	(746)
(Increase) decrease in Prepaid Insurance	(225)	(666)
Increase (decrease) in Accounts Payable	4,811	(3,689)
Increase (decrease) in Accrued Expenses	(1,323)	5,267
Increase (decrease) in Customer Deposits	5,665	4,580
Net Cash Provided by Operating Activities	<u>\$ 310,622</u>	<u>\$ 171,384</u>

(Concluded)

These accompanying notes are an integral part of the financial statements

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

Introduction

Varnado Waterworks District was established in 1975, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for an eight member governing board of commissioners appointed by the Washington Parish Council. The District currently serves 1,625 customers as of December 31, 2012. The District's water wells are located approximately five miles north of the Bogalusa, Louisiana city limits. The system lines run north to the Mississippi state line, south to the Bogalusa city limits, east to Pearl River, and approximately five miles west of Military Road. A project, funded by a loan and grant from the USDA Rural Development Office, was completed during 2008, which extended services to an additional 324 customers in the "Pine Area".

Varnado Waterworks District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the Constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Varnado Waterworks District is considered a component unit of the Washington Parish Council.

1. Summary of Significant Accounting Policies

A. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The District's financial statements are prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principle Board (APB) of the Committee On Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict or contradict with GASB pronouncements.

These financial statements are presented in conformance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*. Statement No. 34 established standards for financial reporting, with presentation requirements including a statement of net assets (or balance sheet), a statement of activities and changes in net assets, and a statement of cash flows. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that require capital contributions to the District be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net position by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net position by the government that is applicable to a future reporting

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Footnote J – Net Position*.

The District has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The application of this standard to long-term debt offerings of the District is more fully described in *Footnote I – Long-Term Debt Offerings*.

All activities of the District are accounted for in a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing authority is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The term measurement focus denotes what is being measured and reported in the District's operating statement. Financial operations of the District are accounted for on the flow of economic resources measurement focus. With this measurement focus, all of the assets and liabilities, available to the District for the purpose of providing goods and services to the public, are included on the balance sheet. The activity statement includes all costs of providing goods and services during the period.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user charges for the services provided by the enterprise funds. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

B. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

C. Investments

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

- The District uses the quoted market prices to estimate the fair value of the investments.
- None of the investments are reported at amortized cost.
- The District has investments in one investment pool. The investment pool is Louisiana Asset Management Pool (LAMP), and the fair value of the position in the pool is the same as the value of the pool shares.
- There is no involuntary participation in an external investment pool.

D. Inventories

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

E. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current calendar year are recorded as prepaid items. Prepaid items consist of prepaid insurance premiums.

F. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

**Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011**

G. Capital Assets

Capital assets of the District are defined by the District as assets with an initial, individual cost of more than \$500, and an estimated useful life in excess of one year. Capital assets are recorded at either historical cost or estimated historical cost. Donated assets, including water systems donated for continued maintenance by the District, are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	15 - 30 Years
Equipment and Furniture	5 - 7 Years
Utility System	20 - 30 Years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

H. Compensated Absences

The District has the following policy related to vacation and sick leave:

Employees receive two weeks of paid vacation after being employed for one to five years, increasing up to six weeks of vacation for employees with twenty-one years or more service. Employees are not allowed to carry over vacation from one year to the next.

Employees accrue a half a day per month of employment for sick leave up to a maximum of 45 days.

In accordance with GASB-16, *Accounting for Compensated Absences*, no liability has been accrued for unused employee sick leave.

I. Long-Term Debt Offerings

Long-term liabilities are recognized within the Enterprise Fund. The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, are revised. This standard was intended to complement GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued ("old") debt. The new debt proceeds may be used to

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

repay the old debt immediately (a current refunding), or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses). Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. Prepaid insurance costs should be reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

For the District, bond issue costs for existing bonds at December 31, 2012 are recognized as a prior period adjustment per *Footnote 12 – Prior Period Adjustments*.

J. Net Position

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net assets into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

Net Investment in Capital Assets Component of Net Position

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

Varnado Waterworks District
Notes to the Financial Statements
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Restricted Component of Net Position

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted Component of Net Position

The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

K. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Varnado Waterworks District
Notes to the Financial Statements
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2. Cash and Cash Equivalents

At December 31, 2012 and 2011, the District has cash and cash equivalents (book balances) totaling, as follows

	December 31, 2012	December 31, 2011
Demand Deposits	\$ 120,774	\$ 82,000
Time & Savings Accounts	160,792	117,096
Money Market Accounts	271,949	10,769
Louisiana Asset Management Pool	129,474	31,320
	<u>\$ 682,989</u>	<u>\$ 241,185</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012, the District has \$629,334 in deposits (collected bank balances), consisting of \$314,488 in demand deposits and \$314,846 in time and savings accounts, including certificates of deposit. The demand deposits are secured from risk by \$250,000 of federal deposit insurance at two separate banks. The District also has access to pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3) in event federal deposit insurance were to be exceeded. The time and savings accounts are located at four different banks and are secured from risk by \$250,000 of federal deposit insurance at each financial institution and also have access to pledged securities of \$92,779 held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

Investments are categorized into these three categories of credit risk:

- 1 Insured or registered, or securities held by the District or its agent in the District's name
- 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
- 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

Varnado Waterworks District
Notes to the Financial Statements
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All investments held by the District fall into category 1 credit risk, defined as "insured or registered or securities held by the District or its agent in the District's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

At December 31, 2012, the District's investment balances were as follows:

	<u>Maturity Date</u>	<u>Carrying Amount</u>	<u>Fair Market Value</u>
LPL Financial - Money Market		\$ 114,942	\$ 114,942
		<u>114,942</u>	<u>114,942</u>
 Certificates of Deposit			
Citizens Savings Bank	July 19, 2017	100,000	100,000
Citizens Savings Bank	March 9, 2013	10,000	10,000
Citizens Savings Bank	October 13, 2016	45,000	45,000
First NBC Bank	March 9, 2014	56,792	56,792
Whitney National Bank	July 21, 2013	143,848	143,848
	Total	<u>\$ 470,582</u>	<u>\$ 470,582</u>

All investments are stated on the balance sheet (carrying value) at market value. All investments are in the name of the District. Because these investments are in the name of the District and are held by the District or the District's agent, the investments are considered insured and registered, Category (1), in applying the credit risk of GASB Codification Section 150.164.

Interest Rate Risk The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 2012, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest.

Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Therefore, LAMP is considered a cash equivalent.

4. Receivables

The following is a summary of receivables at December 31, 2012 and 2011:

	<u>Year Ended December 31, 2012</u>	<u>Year Ended December 31, 2011</u>	<u>Increase (Decrease)</u>
Accounts Receivable			
Current	\$ 53,980	\$ 56,215	\$ (2,235)
31-60 Days Past Due	10,782	19,142	(8,360)
61-90 Days Past Due	1,392	4,526	(3,134)
Over 90 Days Past Due	<u>1,513</u>	<u>3,520</u>	<u>(2,007)</u>
Subtotal	67,667	83,403	(15,736)
Allowance for Uncollectible Accounts	<u>(1,968)</u>	<u>(1,968)</u>	<u>-</u>
Net Accounts Receivable	<u>65,699</u>	<u>81,435</u>	<u>(15,736)</u>
Accrued Billings	11,706	5,765	5,941
Due from Other Governments			
Due from Bogue Lusa Waterworks	10,091	5,989	4,102
Due (to) from Washington Gas District 1	2,512	2,320	192
Total Receivables	<u>\$ 90,008</u>	<u>\$ 95,509</u>	<u>(5,501)</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. Periodically, the board reviews the aging of receivables and determines the actual amount uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. At December 31, 2012, accrued billings amounts were \$11,706, and \$5,765 at December 31, 2011.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

5. Restricted Assets

The following is a summary of restricted assets at December 31, 2012 and 2011

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Restricted Cash and Cash Equivalents		
Customer Deposits		
Meter Deposits	\$ 2,394	\$ 2,392
Connection Fees Pine Addition	67,912	38,388
Bond Reserve Account	122,045	47,923
Bond Contingency Account	136,525	26,823
Bond Sinking Account	28,244	17,350
Restricted Investments		
Bond Reserve Account	-	73,276
Bond Contingency Account	-	91,595
Total Restricted Assets	\$ <u>357,120</u>	\$ <u>297,747</u>

6. Capital Assets

A summary of changes in capital assets during the fiscal year ending December 31, 2012 is as follows

	<u>Beginning Balance 12/31/11</u>	<u>Additions and Reclassifications</u>	<u>Deletions and Reclassifications</u>	<u>Ending Balance 12/31/12</u>
Capital Assets Being Depreciated				
Buildings	\$ 148,154	\$ -	\$ -	\$ 148,154
Equipment	181,113	38,098	-	219,211
Utility System	8,421,213	-	-	8,421,213
Vehicles	79,503	-	-	79,503
Total Capital Assets Being Depreciated	8,829,983	38,098	-	8,868,081
Less Accumulated Depreciation	(3,423,870)	(237,860)	-	(3,661,730)
Capital Assets Being Depreciated Net	5,406,113	(199,762)	-	5,206,351
Land	105,512	-	-	105,512
Construction in Progress	56,040	-	-	56,040
Total Capital Assets, Net	\$ <u>5,567,665</u>	\$ <u>(199,762)</u>	\$ <u>-</u>	\$ <u>5,367,903</u>

Equipment, furniture, and fixtures are depreciated using the useful lives of five to ten years, and the water distribution system uses a useful life of twenty to thirty years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 2012, totaled \$237,860.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

7. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended December 31, 2012

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-Term Debt					
2007 Water Revenue Bond	\$ 3,251,641	\$ -	\$ (42,257)	\$ 3,209,384	\$ 46,378
2011 Water Rev Bond Refunding	<u>462,000</u>	<u>-</u>	<u>(16,000)</u>	<u>446,000</u>	<u>33,000</u>
Total Long-Term Debt	\$ <u>3,713,641</u>	\$ <u>-</u>	\$ <u>(58,257)</u>	\$ <u>3,655,384</u>	\$ <u>79,378</u>

The Series 2011 Refunding issue resulted in the following "Total Issue Sources and Uses" statement

<u>Sources of funds</u>	<u>Series 2011 Refunding</u>
Par Amount of Bonds	\$ 462,000
Transfer from Bond Reserve	68,951
Transfer from Contingency Fund	<u>57,531</u>
Total Sources	\$ <u>588,482</u>
 <u>Uses of funds</u>	
Deposit to Refunding Fund	\$ 522,045
Deposit to Reserve Fund	46,200
Cost of Issuance	19,582
Rounding Amount	<u>655</u>
Total Uses	\$ <u>588,482</u>

The above schedule notes that the District in 2011 transferred \$68,951 from existing bond reserves, and \$57,531 from existing reserves for depreciation & contingency reserves to complete the refunding transaction. A total of \$522,045 was required to refund the 1988 Water Revenue Bonds. The transaction is accounted for as a "current refunding" since the debt issue immediately resulted in defeasance of the 1988 Water Revenue Bonds. The refunding also provided funds of \$46,200 to establish the 2011 Series Reserve Fund and \$20,237 to fund the costs of issuance and other costs.

Varnado Waterworks District
Notes to the Financial Statements
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A recap of the net present value benefit and cash savings for the Series 2011 refunding issue is presented below

<u>PV Analysis Summary (Net to Net)</u>	<u>Series 2011 Refunding</u>
Gross PV Debt Service Savings	\$ 113,465
Effect of Changes in DSR Investments	<u>(14,170)</u>
Net PV Cashflow Savings at 4.2% (Bond Yield)	99,295
Transfer from Contingency Fund	(62,765)
Contingency or Rounding Amount	<u>655</u>
Net Present Value Benefit	<u>\$ 37,185</u>
 Net PV Benefit/\$521,225 Refunded Principal	 7.134%
Net PV Benefit/\$462,000 Refunding Principal	8.049%

Bonds Payable as of December 31, 2012 are as follows

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Revenue Bond \$ 925,000		
Water Revenue Bonds - RUS 91-04 sold to Rural Utility Service		
Dated 3/29/1988 due in monthly installments of principal and interest of		
\$ 5,230 through 3/29/2028 interest at 5.875%	\$ -	\$ -
Revenue Bond \$ 651,000		
Water Revenue Bonds - RUS 91-07 sold to Rural Utility Service		
Dated 3/29/2007 due in monthly installments of principal and interest of		
\$ 2,806 through 5/1/2047 interest at 4.125%	615,408	623,511
Revenue Bond \$ 2,744,000		
Water Revenue Bonds - RUS 91-08 sold to Rural Utility Service		
Dated 3/29/2007 due in monthly installments of principal and interest of		
\$ 11,827 through 5/1/2047 interest at 4.125%	2,593,976	2,628,130
Revenue Bond \$ 462,000		
Water Revenue Bonds - Series 2011 Refunding sold to Rural Utility Service		
Dated 8/25/2011 due in annual installments of principal and semi-annual interest averaging		
\$ 48,439 through 3/1/2023 interest at 4.20%	446,000	462,000
	<u>\$ 3,655,384</u>	<u>\$ 3,713,641</u>

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Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

The annual requirements to amortize all debt outstanding as of December 31, 2012, including interest payments of \$2 943,749 are as follows

Year Ending 12/31/12	2007 Water Revenue Bonds \$ 651,000	2007 Water Revenue Bonds \$ 2,744,000	Series 2011 Water Revenue Refunding \$ 462,000	Total
2013	\$ 33,672	\$ 141,924	\$ 51,039	\$ 226,635
2014	33,672	141,924	51,611	227,207
2015	33,672	141,924	51,120	226,716
2016	33,672	141,924	50,587	226,183
2017	33,672	141,924	50,991	226,587
2018 to 2022	168,360	709,620	254,411	1,132,391
2023 to 2027	168,360	709,620	45,945	923,925
2028 to 2032	168,360	709,620	-	877,980
2033 to 2037	168,360	709,620	-	877,980
2038 to 2042	168,360	709,620	-	877,980
2043 to 2047	148,718	626,831	-	775,549
	<u>\$ 1,158,878</u>	<u>\$ 4,884,551</u>	<u>\$ 555,704</u>	<u>\$ 6,599,133</u>

8. Flow of Funds, Restrictions on Use

As of December 31, 2012 the bond restrictions apply to parity bond obligations of outstanding bonds of Varnado Waterworks District, and include the two issues of the 2007 Water Revenue Bonds, and the Series 2011 Refunding Bonds Bond descriptions and covenants are as follows

During the fiscal year ending December 31, 2009, construction was completed for the Pine Area system improvements Interim financing totaling \$3,395,000 was obtained to finance the system improvements, with permanent financing to be provided by the USDA Rural Development Office Interim financing was paid off March 29, 2007 by USDA Rural Development financing with a refunding totaling \$3,547,775 The payment of \$3,547,775 consisted of payoff of principal totaling \$3,395,000 plus \$152,775 accumulated interest, capitalized as construction period interest The USDA Rural Development Office refunded the interim loan with the issuance of two Water Revenue Bonds, both dated March 29, 2007, and both issued at an annual interest rate of 4 125%

The first bond issue totals \$651,000, and the second issue totals \$2,744,000, for a combined total of \$3,395,000 Both of the bond issues specify that the bond shall be payable over a forty (40) year period, with the first payment consisting of interest only which fell due on April 1, 2008 and will be paid thereafter in Four Hundred Eighty (480) consecutive monthly payments commencing May 1, 2008 and continuing through May 1, 2047 unless the principal amount hereof is prepaid in whole or in part in accordance with the terms set forth in the Bond Resolution Each payment shall be applied first to the payment of accrued interest, and second to the payment of principal For the issue totaling \$651,000, bond terms require a total monthly principal and interest payment

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

of \$2,805.81, and for the \$2,744,000 bond issue a total monthly principal and interest payment of \$11,826.64. With the payoff of interim financing and the issuance of long-term financing provided by the USDA Rural Development, the District recorded a total of \$65,193 in bond issuance costs, to be amortized over the life of the bonds.

During the fiscal year ending December 31, 2011, the April 13, 1988 bonds originally issued at \$925,000 were refunded with a cash payment of \$522,045. Sources of funding were issuance of Series 2011 Water Refunding Bonds at \$462,000, plus the District provided funds of \$68,951 from the existing Reserve Fund, and \$57,530.55 from the existing Depreciation & Contingency Fund to complete the refunding transaction. Proceeds of the issue and funds provided by the District also provided for advance funding of \$46,200 to fully fund the Series 2011 Debt Reserve Fund, and \$20,237 to fund the costs of issuance and other costs. The Series 2011 Refunding Bonds, issued at annual interest rate of 4.2% on August 25, 2011, are payable in semi-annual installments for interest, and annual installments of principal, and mature on March 1, 2023.

Under the terms of the bond issue, the bonds are payable as to principal and interest solely from the income and revenues derived from the operations of the combined water system of the District after provisions have been made for the payment of the reasonable and necessary expenses of administering, operating, and maintaining of the system.

The District is to maintain its water rates at minimum amounts and increase these rates as necessary in accordance with its loan agreements with USDA.

Each of the water revenue bonds specify the establishment and maintenance of a separately identifiable fund or account designated as the "Water System Bond Revenue Sinking Fund" (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the Bonds and any Additional Parity Bonds, as they severally become due and payable, by transferring from the Revenue Fund to the agent of the Issuer, monthly on or before the 20th day of each month of each year, a sum equal to the total amount of the principal and interest falling due on the next principal payment date for the bonds (except as specified during the construction phase by the USDA Rural Development Office, together with such proportionate sum as may be required as the same respectfully become due on such date. Money in the Sinking Fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments. Alternately, USDA has set up a payment schedule whereby the District makes payments directly to its office. This eliminates the need of the "Bond and Interest Sinking Fund" for the USDA bonds, but is required for the 2011 Series Refunding Bonds. At December 31, 2012, the 2011 Series Sinking Fund was fully-funded.

Bond covenants for USDA bonds also require that there shall also be set aside into a "Water Revenue Bond Reserve Fund" an amount equal to 5% of the monthly debt installment on all outstanding parity bonds, monthly in advance on or before the 20th day of each month, after the construction becomes revenue producing, until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. As of December 31, 2012, the highest annual debt payment in succeeding years for the two Series 2007 Bonds totals \$175,596. Construction was completed for the \$3,395,000 in water revenue bonds issued March 29, 2007, and bond principal payments and interest payments for these bonds began on April 1, 2008, the monthly deposit requirement is calculated at 5% of the monthly debt installment. The Reserve Fund was fully funded and had a collective balance of \$122,045 in cash and investments held at December 31, 2012.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

For the Series 2011 Water Revenue Bonds, the Series 2011 Debt Service Reserve Fund was fully funded with a deposit of \$46,200 at the bond closing on August 25, 2011. At December 31, 2012, the Series 2011 Debt Service Reserve Fund was fully funded.

Other USDA bond covenants require that funds will also be set aside into a "Depreciation and Contingency Fund" (the Contingency Fund). After construction was completed for the \$3,395,000 in water revenue bonds issued March 29, 2007, and bond principal payments and interest payments for these bonds began on April 1, 2008, the monthly deposit requirement became equal to the 5% Reserve Fund deposit, requiring deposits monthly in advance on or before the 20th day of each month an amount equal to 5% of the required monthly installment of interest and principal on outstanding parity bonds. The bond covenants further specify that such payments shall continue over the life of the bonds and when a sum equal to the Reserve Fund Requirement has been accumulated in the Reserve Fund, the monthly payments into the Contingency Fund shall increase by a sum equal to 5% of the amount paid into the Sinking Fund.

Monies in the Contingency Fund shall be used for the making of repairs or replacements to the system, for depreciable capital items, which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds. All the revenues, received in any year and not required to be paid in such year into any of the noted funds, shall be regarded as surplus and may be used for any lawful corporate purpose. The Depreciation and Contingency Fund was fully funded and had a collective balance of \$136,525 in cash and investments held at December 31, 2012.

As construction was completed for the \$3,395,000 in water revenue bonds issued March 29, 2007, and bond principal payments and interest payments for these bonds began on April 1, 2008, an additional bond requirement applied to the District. Bond covenants note that Additional Parity Bonds may also be issued on parity with the bonds if the following conditions are met:

The Issuer, through its Governing Authority by proper resolution and/or resolutions, hereby covenants to fix, establish, maintain and collect such rates, fees, rents or other charges for services and facilities of the system, and all parts thereof, and to revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year, sufficient to pay the reasonable operating and maintenance expenses of the system in each fiscal year and all other payments required for such fiscal year with respect thereto and as will provide "Net Revenues" at least equal to 120% of the principal and interest falling due in such fiscal year on the bonds, the outstanding parity bonds and any additional parity bonds or other obligations of the system. "Net Revenues", per applicable bond provisions, means the revenues, after provision has been made for payment therefrom of the reasonable and necessary expenses of maintaining and operating the system. For the fiscal year ending December 31, 2012, Net Revenues were computed to be below the 120 percent threshold of the average annual debt service requirements on all bonds held outstanding for the system at a computed ratio of 97 percent.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

9. Restricted and Designated Net Position

At December 31, 2012, Varnado Waterworks District recorded \$279,456 in Restricted Net Assets (Restricted for Capital Activity and Debt Service), representing the District's funds restricted by revenue bond debt covenants, contracts with customers for meter deposits, and the unspent portion of capital debt related to amounts restricted for capital projects less liabilities related to these restricted funds. A liability relates to restricted assets if the asset results from incurring the liability or if the liability will be liquidated with the restricted assets.

10. Intergovernmental Agreement

The Varnado Waterworks District has a service agreement with the Bogue Lusa Water Works District and the Washington Parish Gas District Number One, also known as Varnado Gas District. The Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis for Bogue Lusa Water Works District and Varnado Gas District. The Varnado Waterworks District also performs meter reading for Varnado Gas District, which is included in the administrative costs. Bogue Lusa Water Works is independently responsible for its meter reading expenses. The per customer monthly fee for Bogue Lusa Water Works for this service was \$2.35 through June of 2012 and \$2.60 per customer per month for the remainder of the fiscal year, and \$2.35 per customer per month for Varnado Gas District, payable monthly. The rate for Varnado Gas District was increased to \$3.00 at the February 8, 2011 board meeting. This increase was for \$0.65 per customer for meter reading.

Varnado Waterworks District will provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District and Varnado Gas District will be billed monthly at two times the employees hourly rate. All materials, parts and supplies will be paid directly by the District which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the other districts at an agreed-upon rate per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement. Cash settlements will be made between the Districts, so each District pays its portion of the actual costs.

For the fiscal year ending December 31, 2012 billing fees component charged to Other Governments was \$93,729 for Bogue Lusa Water District, and \$14,923 charged to Washington Parish Gas District No. 1.

11. Litigation and Claims

There is no outstanding litigation at December 31, 2012.

Varnado Waterworks District
Notes to the Financial Statements
As of and for the Years Ended December 31, 2012 and 2011

12. Prior Period Adjustments to Net Position

	Year ended December 31, 2012	Year ended December 31, 2011
Beginning Net Position Prior to Adjustments	\$ 2,972,770	\$ 3,170,256
Bond Issuance Costs	(84,843)	(65,193)
Accumulated Amortization	7,742	5,525
Reserve for Connection Fees	24,998	24,998
Beginning Net Position After Prior Period Adjustment	<u>\$ 2,920,667</u>	<u>\$ 3,135,586</u>

The District adopted GASB 65 for the fiscal year ending December 31, 2012, which required bond issuance costs, other than costs for insurance, to be expensed in the period incurred. The bond issuance costs in the utility fund, which were not fully amortized, required a prior period adjustment to reduce net position by \$77,101 for 2012 and \$59,688 for 2011.

The District had \$24,998 reserved for connection fees for the Pine addition. These fees were not reclassified to income when the project was put in service. Therefore, a prior period adjustment was required to increase net position by \$24,998 for both 2012 and 2011.

The net effect of these changes as a reduction to net position is reflected in the prior period comparative information presented in this report.

13. Subsequent Events

These financial statements considered subsequent events through June 27, 2013, the date the financial statements were available to be issued. At May 24, 2013, the District was notified it will receive a \$800,000 grant to construct a new water well. Funding is dependent on the state receiving Community Development Block Grant funding from the federal government.

Other Supplemental Information

Schedule 1

Varnado Waterworks District
 Budgetary Comparison Schedule
 For the year ended December 31, 2012
 With Comparative Amounts for the Fiscal Year Ended December 31, 2011

	2012 Budget	2012 Actual	Variance Favorable (Unfavorable)	2011 Actual (Restated)
Operating Revenues				
Water Sales	\$ 665,000	\$ 674,429	\$ 9,429	\$ 618,214
Installations	10,200	9,300	(900)	7,500
Penalties	20,000	19,483	(517)	18,442
Billing Fees	103,600	108,652	5,052	88,456
Reconnect Fees	3,900	3,745	(155)	4,550
Other	3,600	3,567	(33)	1,283
Total Operating Revenues	806,300	819,176	12,876	718,445
Operating Expenses				
Bad Debts	-	19,549	(19,549)	-
Conventions & Seminars	1,000	1,348	(348)	2,961
Deprecation	238,300	237,860	440	239,181
Director's Fees	3,500	3,420	80	3,720
Employee Benefits	26,600	25,820	780	23,795
Insurance	39,800	41,711	(1,911)	38,247
Contract - Meter Specialist	18,000	17,614	386	18,372
Mowing	-	-	-	7,515
Office Expense	11,500	13,932	(2,432)	13,996
Other	3,700	2,677	1,023	7,100
Payroll Taxes	17,000	16,010	990	16,583
Permits	4,800	5,321	(521)	5,292
Professional Fees	23,000	21,480	1,520	26,369
Repairs and Maintenance	41,500	43,669	(2,169)	80,414
Salaries and Wages	203,000	203,215	(215)	202,733
Supplies - Maintenance	34,250	34,796	(546)	37,290
Telephone	4,000	3,706	294	3,812
Travel	1,500	1,393	107	1,410
Uniforms	5,000	4,570	430	4,658
Utilities	53,000	51,742	1,258	49,700
Vehicle Expenses	12,300	11,010	1,290	16,242
Total Operating Expenses	741,750	760,843	(19,093)	799,590
Operating Income (Loss)	64,550	58,333	(6,217)	(61,145)
Nonoperating Revenues (Expenses)				
FEMA Cost Reimbursements	-	5,833	5,833	-
Unrealized Gain (Loss) on Investments	(4,000)	(4,490)	(490)	1,134
Interest Income	11,600	14,188	2,588	25,101
Interest Expense	(150,500)	(152,270)	(1,770)	(160,359)
Bond Issuance Costs Incurred	-	-	-	(19,650)
Other Income	27,000	26,573	(427)	-
Total Nonoperating Revenues (Expenses)	(115,900)	(110,166)	5,734	(153,774)
Change in Net Position	(51,350)	(51,833)	(483)	(214,919)
Total Net Position, Beginning	2,818,568	2,972,770	154,202	3,100,916
Prior Period Adjustments	-	(52,103)	(52,103)	(34,670)
Adjusted Net Position, Beginning	2,818,568	2,920,667	102,099	3,135,586
Total Net Position, Ending	\$ 2,767,218	\$ 2,868,834	\$ 101,616	\$ 2,920,667

See accountant's report

See independent auditor's report

Schedule 2

Varnado Waterworks District
Schedule of Insurance
For the year ended December 31, 2012

Insurance Company / Policy Number	Coverage	Amount	Period
Western Surety Company 18216102	Fidelity Bond Coverage		11/16/2012 to 11/16/2013
	Employee Dishonesty	\$ 100,000	
	Forgery and Alteration	100,000	
	Theft, Disappearance	100,000	
	Computer Fraud	50,000	
American Alternative Insurance Co GPPA-PF-6053997-01	Commercial General Liability		2/28/2012 to 2/28/2013
	General Aggregate	3,000,000	
	Per Occurrence Limits	1,000,000	
	Personal & Advertising Injury	1,000,000	
	Products Completed	3,000,000	
	Fire Damage	1,000,000	
	Medical Expense Per Accident	10,000	
	Commercial Property	1,519,304	
	Crime Coverage	100,000	
GPPA-PF-6053997-00/01	Business Auto		2/28/2012 to 2/28/2013
	Liability	1,000,000	
	Uninsured Motorist	1,000,000	
	Comprehensive	As scheduled	
	Collision	As scheduled	
	Medical Payments	5,000	
Louisiana Workers Comp 105384-B	Workers Compensation		4/8/2012 to 4/8/2013
	Accident	100,000	
	Policy Limit	500,000	
	Each Employee	100,000	

See accountants report

See independent auditor's report

Schedule 3

Varnado Waterworks District
Schedule of Compensation Paid to Board of Commissioners
For the year ended December 31, 2012

<u>Name and Title / Contact Number</u>	<u>Address</u>	<u>Compensation Received</u>	<u>Term Expiration</u>
Freddie Jefferson, President (985) 986-2460	31110 School Road Angie, LA 70426	\$ 720	12/31/16
Tommy Terrell, Commissioner (985) 848-5820	53668 Highway 62 Franklinton, LA 70438	660	12/31/17
Levi Lewis, Sr., Commissioner (985) 735-5890	63389 Foster Town Road Angie, LA 70426	660	12/31/13
Ronald Owens, Commissioner (985) 735-6111	26183 Highway 21 Angie, LA 70426	720	12/31/14
Argil Boone, Commissioner (985) 732-2962	61768 Seal Road Angie, LA 70426	660	12/31/15
		<u>\$ 3,420</u>	

See accountant's report.

See independent auditor's report

Schedule 4

Varnado Waterworks District
Schedule of Water Rates
For the year ended December 31, 2012

Water	
Residential Rates	Commercial Rates
\$ 17.00 - First 2,000 Gallons	\$ 48.00 - First 15,000 Gallons
2.75 - Per 1,000 Gallons of Water over 2,000 Gallons	3.00 - Per 1,000 Gallons of Water over 15,000 Gallons

As of December 31, 2012 and 2011, the district had the following number of customers

	December 31, 2012	December 31, 2011	Increase (Decrease)
Customers			
Residential	1,612	1,601	11
Commercial	18	18	-
Schools	5	5	-
Prison	1	1	-
Total Customers	<u>1,636</u>	<u>1,625</u>	<u>11</u>

Commercial users having a meter size larger than the residential size (3/4") 18

See accountant's report

Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

820 11TH AVENUE
FRANKLINTON, LOUISIANA 70438
(985) 839-4413
FAX (985) 839-4402

MEMBER
A I C P A

MEMBER
L C P A

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Washington Parish Council
Board of Commissioners
Varnado Waterworks District
Varnado, Louisiana

I have audited the financial statements of the business-type activities of the Varnado Waterworks District (a component unit of the Washington Parish Council) as of and for the year ended December 31, 2012 and 2011, and have issued my report thereon dated June 27, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Varnado Waterworks District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Varnado Waterworks District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Varnado Waterworks District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent and detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Varnado Waterworks District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Minda Raybourn



Minda B. Raybourn
Certified Public Accountant
Franklinton, LA

June 27, 2013

**Varnado Waterworks District
Varnado, LA**

**Schedule of Current Year Audit Findings
For the Year Ended December 31, 2012**

Section 1-Summary of Auditor's Results

I have audited the financial statements of Varnado Water Works District as of and for the year ended December 31, 2012 and 2011, and have issued my report thereon dated June 27, 2013. I have conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2012 resulted in an unqualified opinion.

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified
not considered to be material
weaknesses? ☐ Yes ☒ No

Compliance

Noncompliance material to financial
Statements noted? ☐ Yes ☒ No

Section II-Financial Statement Findings

None